



Your Path To Farm Transition: The Farmers Den: BokenGood Farms

Joel Bokenfohr and Merle Good
FCC

Executive Summary: BokenGood Farms

Background

- 4th generation farm that has been largely expanded Merle who bought some land from his father and used farms equipment to grow to it's current size. The farm has been investing in modern equipment and pursuing technology where possible
- Farm has some equipment debt and still paying for last quarter.
- Farming 3000 acres of grains, oilseeds and pulses grossing approximately \$1.5-2 Million / year.
- Farm is incorporated (equipment, inventory): land is 40% owned 60% rented
- The family had goals for children to pursue education and work before farming was an option.
- Joel currently rents 3 quarters from farm and is paid partial wages.

Family Business Canvas: (Farm)

12:30

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| <p><u>Key Partners</u></p> <ul style="list-style-type: none"> • What should our family look like in this process? • What role will family have in the business? All Consulted? • What Advisors might I need on my team? | <p><u>Key Activities</u></p> <ul style="list-style-type: none"> • Whose doing these? • How will we make decisions? Change Overtime? | <p><u>Value Proposition</u> (Expand your core values for farm)</p> <ul style="list-style-type: none"> • What can I do for the farm vs. What the farm can do for me? • No one is owed a farm vs. I owe someone a farm? • Fair is not equal – individual success • Can I change my mindset? • Are there expectations to join this farm? • Are there core values that will drive our plan? • What culture are we building on the farm? | <p><u>Relationships</u></p> <ul style="list-style-type: none"> • What is important to reinforce for our family? • How will I take this into account to guide our process? | <p><u>Family Segments</u></p> <ul style="list-style-type: none"> • Whose active in the business? (How will their role change) • Who might be an owner? • Key employees? • How will multiple families source living costs? • What will we do to support family and have fun? |
| <p><u>Cost Structure</u></p> <ul style="list-style-type: none"> • Is off farm income needed? • Will farm equity be repurchased? • Do we have a financial strategy? • How well do we convert input to outputs? | <p><u>Revenue Streams</u></p> <ul style="list-style-type: none"> • Does the business need to grow? • What % of our assets is needed to maintain growth? • Do we have a competitive advantage? • Other ways to add value? • Can family members pursue other business activities? | | | |

Farm Family Business Canvas: BokenGood Farms

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| <p><u>Key Partners</u></p> <ul style="list-style-type: none"> • Transparent conversation • Respectful of each others' perspectives/ contributions • Safe discussion environment • All 4 direct family members will engage in discussion. • Any conflicts will follow our resolution process • Advisors: Accountant/ Lawyer/ Financial Planner / Transition Consultant | <p><u>Key Activities</u></p> <ul style="list-style-type: none"> • Gradual transfer of labor and certain management decisions set through our RACI chart • Quarterly check-ins to evaluate learning and roles. | <p><u>Value Proposition</u> (Expand your core values for farm)</p> <ul style="list-style-type: none"> • What can I do for the farm vs. What the farm can do for me? • Separate family and business decisions • We will create safe environment to share • Education is a priority • Be good community members • Manage risk proactively • Be conscious of the culture we are building on the farm. • People support what they help build. | <p><u>Relationships</u></p> <ul style="list-style-type: none"> • Important our family stays close however we recognize our business is a separate entity. | <p><u>Family Segments</u></p> <ul style="list-style-type: none"> • Merle and Joel are primarily labor and management building a progressive transfer of responsibilities. • Mom and Daughter as well as paid help. • Joel and spouse will use off farm funds for home purchase or build. • Both generations will track living costs. • Succession planning conversations kept fun and forward focused. |
| <p><u>Cost Structure</u></p> <ul style="list-style-type: none"> • Off farm income used for home equity. • Farm will benchmark performance to improve conversion of input to outputs. • Pref shares may be redeemed | <p><u>Revenue Streams</u></p> <ul style="list-style-type: none"> • Farm will seek to continually improve Gross Margin. • We have strong joint agronomy and production skills. • Will work with marketing coach to improve both generations skillset. | | | |

Executive Summary: BokenGood Farms

Vision:

Will be a business focused on profitable and sustainable production of cereals, oilseeds and pulses. We will seek opportunities for continuous learning and innovating to provide products of superior quality and value and always strive to leave it better than we found it.

Mission:

Our Mission is to be recognized by our associates, partners and neighbors as top producers and strong community members. We seek to grow our people, gross margin and improve our land for future generations.

Executive Summary: BokenGood Farms

Farm Skillsets and Experience

- **President:**
 - Merle, 35 years of progressive management and operations of family grain farm. Leading: logistics, marketing and equipment maintenance.
- **Vice President:**
 - Ms. Good 30 years farm management, book/ record keeping and assistance in planning. 25 years full time teacher. Some equipment and logistics.
- **Operations Lead:**
 - Joel has been working on the farm for the past 12 years during school (Agriculture Degree) and while working for a farm retail outlet. He has been full time for the past 4 years. Joel is currently leading agronomy decisions and planning in addition to supporting Merle on other areas.
- **Operations Support:**
 - Merle's daughter lives near by with her husband and supports the farm during busy season: Equipment labor, running errands, busy seasons.
 - Neighbor Bob: Retired friend of Merles who has been helping during busy times both seeding and harvest: Driving Truck, equipment – mostly operating.
 - Joel's spouse logistics help during busy times.
- **Key Advisors:**
 - Relationship Manager: Les, Accountant: Rob, Lawyer: Tracy, Marketing Advisor: Wendy

Key Goals and Business Decisions

23:00

1. Merle and Joel realize the future success of BokenGood Farms will depend on a successful transitioning of management responsibilities from the father to the son over the next five-ten years.
 - Merle will seek to improve his leadership skillset to support and prepare Joel for developing management capacity.
2. BokenGood farms is looking to maintain and improve identification, assessment and management of risk events so farm owners can remain agile to take advantage of opportunities to grow the farm.
 - Prepared for multiple possible outcomes to ensure the farm business has sufficient ability to deal with variability in production and prices
3. BokenGood Farms is looking to continually strive for increased gross margin through analysis.
 - A yearly plan will be reviewed and discussed with quarterly check-ins to evaluate this strategy specifically.
 - Joel will work to enhance his financial analysis, set identifiable benchmarks for improving Gross Margins.
 - Connect with accountant and lender to find industry benchmarks and benchmark 5 year average.
 - Continuously learning and innovating to provide grain, oilseed and livestock products of superior quality and value.
4. Formalize our business operating arrangement.
 - Will we operate through 1 business profit center or 2 business profit centers (separate decisions on income)
5. Discuss living arrangements
 - Mom and Dad not ready to leave the home yard, is farm expected to cover costs of Joel and spouse moving closer
6. Evaluate upcoming purchase opportunity
 - Can we facilitate expansion if opportunity presents / purchase land or cover input costs for additional rented acres
7. Evaluate labor, compensation and sweat equity
 - What metrics can we use to determine fairness in labor, compensation and sweat equity
8. Identify goals for long term equity arrangement expectations for business clarity

Prioritizing Key Goals: How will we evaluate???

1. Formalize our business operating arrangement.
 - Will we operate through 1 business profit center or 2 business profit centers (separate decisions on income)
2. Evaluate upcoming purchase opportunity
 - Can we facilitate expansion if opportunity presents / purchase land or cover input costs for additional rented acres
 - Do we have room? Who covers input? Equipment cost?
3. Evaluate labor, compensation and sweat equity
 - What metrics can we use to determine fairness in labor, compensation
 - Are labor, management and ownership the same?
 - Cost to replace current help?

